

FISCAL NOTE

SB 819 - HB 1792

April 2, 2001

SUMMARY OF BILL: Requires certain non-profit hospitals to pay in-lieu of payments to the state when the value of their tax exemptions exceed the amount of charity care provided by the hospital. Tax exempt benefits is defined to include state, federal and local taxes including income, franchise, property and sales taxes and the benefit of tax-exempt bond financing. The state is to distribute the in-lieu-of-tax payments to essential access hospitals based upon their percentage of all charity care provided in the state. The state is to take reasonable steps to obtain federal matching funds for such payments. Non-profit hospitals are required to prepare an annual report with the data necessary to comply with the bill. Private act public hospitals and teaching and research hospitals are exempt from the provisions of the act.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - Less Than \$100,000 Recurring
Less Than \$100,000 One-Time**

Other Fiscal Impact:

Redistributes an amount, estimated to exceed \$20,000,000, from nonprofit hospitals whose charity care does not exceed the value of tax exemptions received by such hospitals, to essential provider hospitals. Distribution would be based on a ratio of an individual essential provider hospital's uncompensated care divided by the total amount of uncompensated care provided by all essential provider hospitals in the state. Payments would be made to the state and disbursements would be made by the state. Estimate is based on no significant change in the level of charity care provided by nonprofit hospitals.

Potential reduction in federal funds paid to TennCare to the extent that federal funding for unreimbursed charity health care declines as the result of reduced certified public expenditures.

Estimate assumes:

- a need for one auditor and associated expenses in the Comptroller's office to review hospital reports.

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- an increase in state expenditures to process payments in-lieu-of-taxes and make disbursements. Estimate assumes additional one-time costs for automation to account for receipts and disbursements. Bill does not place this responsibility with a specified department.
- funds collected will likely be redistributed in their entirety based on a review of the level of uncompensated care.
- some federal funding for TennCare is currently based upon the amount of uncompensated care provided by public hospitals. To the extent that state distribution of the in-lieu-of-tax payments reduced uncompensated care, federal funding to TennCare could be reduced.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with a long horizontal stroke at the end.

James A. Davenport, Executive Director